

BEFORE THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE

CONSUMER ADVOCATE DIVISION

vs.

BELLSOUTH TELECOMMUNICATIONS,  
INC.

'99 NOV 22 PM 4 07

Docket No. \_\_\_\_\_  
EXECUTIVE SECRETARY

Tariff 99-00574

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DISCOVERY REQUEST AND REQUEST FOR INFORMATION TO TENNESSEE  
REGULATORY AUTHORITY

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To: Tennessee Regulatory Authority  
c/o David Waddell  
460 James Robertson Parkway  
Nashville, TN 37243

Please review the discovery/information request attached and provide all of the information in possession of the Tennessee Regulatory Authority with respect to the discovery/information<sup>1</sup> request in possession of the agency within ten (10) days.

Please reply to the discovery requests provided herein by: 1) answering under oath these discovery requests and serving your answers upon Consumer Advocate L. Vincent Williams or his designee at 2nd Floor, Cordell Hull Building, 425 5th Avenue North, Nashville, TN 37243; and 2) providing clear copies of the documents and things specified herein. The answer to each item should begin with the restatement of the question and should conclude with the signature and title of the person(s) responsible for answering that particular question.

Please be aware that this discovery is continuing in nature and requires the party from whom discovery is sought to provide supplemental responses if additional or different information is obtained or as may be necessary from time to time to provide the Consumer Advocate with a full, complete and current answer or response until the hearing in this docket.

INSTRUCTIONS AND DEFINITIONS

The terms "you", "your" and "yours" as used herein refer to the addressee party of these

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<sup>1</sup>Informational disclosure is required by Tenn. Code Ann. § 65-4-118.

Interrogatories as well as any and all agents, employees, representatives, experts, and other persons acting or purporting to act on your behalf.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy, or electronic or computer versions), each version shall be treated as a different document and each must be identified and produced.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. To assist you in providing full and complete discovery, Petitioner provides the following definitional guidelines:

1. The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served all responses must include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.* The response is not to be limited to the knowledge of the individual responding.

2. The term "document" as used herein has the full extent of its possible meaning in accordance with law, including any written, printed, typed, drawn, filmed, taped, or recorded in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, photograph, tape recording, computer disk or record, or other data compilation in any form. This definition shall also mean all copies of documents by whatever means made including any nonidentical versions or drafts (whether different from the original because of handwritten notes, underlining, highlighting, or otherwise).

3. The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

4. References to the masculine shall include the feminine, the singular shall include the plural, and vice versa.

5. The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

6. Each discovery answer should begin by restating the item requested.

7. Where a number of sheets are required to fully answer an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 1 of 6.

8. If any information requested is not furnished as requested, please state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

9. Please respond fully to the request even if it has been partially requested or supplied in prior filings or dockets. The information and Rule 33 and 34 information shall be submitted to this office at 2nd Floor, Cordell Hull Building, 425 5th Avenue North, Nashville, TN 37243-0500. If there is a need for clarification of any attached request, please contact me at (615) 741-8700 before furnishing the response.

#### Rule 36. Requests for Admission.

36.01 Request for Admission. A party may serve upon any other party a written request for the admission, for purposes of the pending action only, of the truth of any matters within the scope of Rule 26.02 set forth in the request that relate to statements or opinions of fact or of the application of law to fact, including the genuineness of any documents described in the request. Copies of documents shall be served with the request unless they have been or are otherwise furnished or made available for inspection and copying. The request may, without leave of court, be served upon the plaintiff after commencement of the action and upon any other party with or after service of the summons and complaint upon that party.

The matter is admitted unless, within 30 days after service of the request, or within such shorter or longer time as the court may allow. If objection is made, the reasons therefor shall be stated. The answer shall specifically deny the matter or set forth in detail the reasons why the answering party cannot truthfully admit or deny the matter. A denial shall fairly meet the substance of the requested admission, and when good faith requires that a party qualify an answer or deny only a part of the matter of which an admission is requested, ***the party shall specify so much of it as is true and qualify or deny the remainder. An answering party may not give lack of information or knowledge as a reason for failure to admit or deny unless the party states that he or she has made reasonable inquiry and that the information known or readily obtainable by the party is insufficient to enable the party to admit or deny.*** A party who considers that a matter of which an admission has been requested presents a genuine issue for trial may not, on that ground alone, object to the request; the party may, subject to the provisions of Rule 37.03, deny the matter or set forth reasons why the party cannot admit or deny it.

#### Requests to Admit or Deny, Interrogatories and Requests for Production

1. Please state the average number of Residential and Business customers who pay their telephone bills late.
2. Please state the average number of customers who make partial payments to BellSouth which equal or exceed the amount owed BellSouth for its provision of local basic

exchange service to the customer?

3. Please state the average number of customers who make partial payments to BellSouth which equal or exceed the amount owed BellSouth for its provision of intrastate service to the customer?
4. Please produce all information used to support BellSouth's statement's of the average number of Residential and Business customers who pay their telephone bill late conclusions.
5. Please state the average Tennessee monthly (or total annual) revenue, minus any late payment charges, collected late from:

Residential Customers  
State Government agencies  
County Government agencies  
City Government agencies  
Federal Government agencies  
Other Business Customers

Please produce all workpapers and source documents which pertain to the average monthly (or total annual) collected late from Residential Customers, State Government agencies, County Government agencies, City Government agencies, Federal Government agencies, Other Business Customers.

6. Please produce for inspection and copying all calculations of the estimated annual Tennessee late payment charge revenue that would be collected as the result of the implementation of the proposed late payment charge from:
  - a.) Residential customers
  - b.) Governmental agencies
    1. Federal
    2. County
    3. City
  - c.) Other Business Customers
  - d.) Total Annual Late Payment Charge Revenue

Please produce detailed workpapers supporting these calculations.

7. Provide calculations of the estimated annual Tennessee late payment charge revenue that

would be collected as the result of applying the proposed late payment charge to:

- a.) Revenues billed by BellSouth Telecommunications Tennessee on behalf of other nonaffiliated entities. (for example bills for interexchange carriers)
- b.) Revenue billed by BellSouth Telecommunications Tennessee on behalf of affiliated or related entities.( BellSouth Publishing, BellSouth Internet Service, etc.)
- c.) Revenue billed by BellSouth Telecommunications Tennessee for Local Service and vertical services.
- d.) Revenue billed by BellSouth Telecommunications Tennessee for BellSouth IntraLATA Toll.

(Provide detailed workpapers.)

- 8. Please state the annual revenue that BellSouth bills Tennessee customers in advance of providing service (For example: Local Service Revenue).
- 9. Identify the average number of days between the average date local service is provided (middle of the billing cycle) and the date on which the customers' bills are paid.  
(Provide detailed workpapers.)
- 10. Identify the number of days between the average date local service is provided (middle of the billing cycle) and the date on which the late payment charge will apply.
- 11. Provide copies of any and all account receivable analysis that identify the amounts of BellSouth Telecommunications, Inc.'s Tennessee customer accounts receivable that are:
  - More than 30 but less than 60 days past due
  - More than 60 but less than 90 days past due
  - More than 90 days past due
- 12. Provide calculations, cite source documents, and provide explanations of the tracking, administering, and collecting costs incurred by BellSouth as the result of Tennessee Customers paying bills late.
- 13. Please state each and every fact which supports BellSouth's statement that its proposed charges for late payments are not payments associated with the provision of telecommunications service?
- 14. Please state the economic or financial value of each and every service or thing provided by BellSouth to local basic exchange service customers on June 5, 1995.

- a.) Please provide the economic or financial value of each and every service or thing provided by the basic customers on June 6, 1995.
- b.) December 9, 1998.
15. BellSouth admits that there is no statutory authority for the Tennessee Regulatory Authority to approve a BellSouth tariff imposing a charge for a non utility service?
  16. BellSouth admits that there is no statutory authority for the Tennessee Regulatory Authority to approve a BellSouth tariff imposing a non telecommunications charge?
  17. BellSouth admits that it applied for price regulation?
  18. BellSouth admits that it and companies applying for price regulation must comply with Tenn. Code Ann. § 65-5-208 (a)?
  19. BellSouth admits that Tenn. Code Ann. § 65-5-209, and the statutes to which Tenn. Code Ann. § 65-5-209 refer, are the only source of Tennessee law under which companies may increase rates after a company applies for price regulation?
  20. BellSouth admits that rates do not exist in isolation?
  21. BellSouth admits that rates have meaning only when one knows the services to which the rates are attached?
  22. BellSouth admits that before it applied for price regulation, during its application for price regulation, and after its application for price regulation that the rates it charged had/have meaning only when one knows the services to which the rates are attached?
  23. BellSouth admits that Tenn. Code Ann. § 65-4-122 provides rules of construction for determining whether its rates are lawful?
  24. BellSouth admits that the Tennessee Regulatory Authority must apply Tenn. Code Ann. § 65-4-122 and its rules of construction for determining whether BellSouth's rates are lawful?
  25. BellSouth admits that Tenn. Code Ann. § 65-4-123 requires among other things that regulation shall protect the interests of consumers?
  26. BellSouth admits that changing the relationship between rates and service normally requires regulatory action?

27. BellSouth admits that the Tennessee Regulatory Authority must utilize its regulatory powers to protect the interests of Tennessee consumers so long as telecommunications utilities are not unreasonably prejudiced?
28. BellSouth admits that for price regulation plan applicants, the June 6, 1995 rates for local basic exchange services are critical to the application of Tenn. Code Ann. § 65-5-209?
29. BellSouth admits that for price regulation plan applicants, the June 6, 1995 rates for local basic exchange services are critical to the application of Tenn. Code Ann. § 65-5-208 (a)?
30. BellSouth admits that Tenn. Code Ann. § 65-5-209 authorizes the Tennessee Regulatory Authority to set initial rates for basic local exchange service, if and only if, certain, specific criteria, with respect to the price regulation plan applicant's Tenn. Code Ann. § 65-5-209 (j) audit results are met?
31. BellSouth admits that the phrase "cash flow from operations" recognizes "revenue" when cash is collected from customers?
32. BellSouth admits that when an entity or person makes a sale on credit an account receivable is created?
33. BellSouth admits that it bills customers in advance of the customer receiving service?
34. BellSouth admits that accounts receivable are carried in its records from the time it records the sale of services until the time cash, or its equivalent, is collected?
35. BellSouth admits that some accounts receivable that will never be collected and will become the company's uncollectible accounts or bad debts expense?
36. BellSouth recognizes the uncollectible accounts expense before the company knows which specific customers' accounts are uncollectible?
37. BellSouth admits that it does not know the actual cost it incurs solely due to late payments of local basic exchange service?
38. BellSouth admits that to the best of its knowledge nearly 100% of its customers can pay local basic exchange service?
39. BellSouth admits that the most likely cause of late payments is billing associated with the provision of non-BellSouth services?
40. BellSouth admits that adding additional payments as late charges could result in lower universal service penetration percentages?

41. BellSouth admits that additional payments as late charges has the greatest adverse impact on those least able to pay?
42. BellSouth admits that its proposed 5% late payment charge will not be applied on an annualized basis.
43. BellSouth admits that the number of payments in advance of providing service exceeds 90% of all payments?
44. BellSouth admits that under its current procedures its computerized processes, when payment is 30 days in arrears, the amount of the payment is added to the bill for the next period with very little human intervention per account?
45. BellSouth admits that using its computerized processes, when payment is 60 days in arrears, the amount of the payment is added to the bill for the next period with very little human intervention per account?
46. BellSouth admits that it estimates the uncollectible accounts expense by the aging of receivables method?
47. BellSouth admits that it estimates the uncollectible accounts expense by the percentage of credit sales method?
48. BellSouth admits that it estimates the uncollectible accounts expense by the direct write-off method?
49. BellSouth admits that uncollectible accounts expense is an operating expense?
50. BellSouth admits that Generally accepted accounting principles limit the use of the direct write-off method because of two major objections: it violates the matching principle, and it distorts the amount of accounts receivable on the balance sheet?
51. BellSouth admits that violation of the matching principle distorts what is reported on the income statement?
52. BellSouth admits that according to the matching principle, the expenses incurred in earning revenue during a period of time should be matched with the revenue earned during that period?
53. Please provide any and all information received or considered by BellSouth from companies in the southeastern United States with “comparable” credit granting policies.
54. BellSouth admits that Uncollectible accounts expense is an operating expense because it



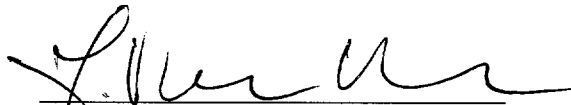
is a cost of doing business?

55. BellSouth admits that its position is that “charges” are not considered in calculating aggregate revenue under Tenn. Code Ann. § 65-5-209?
56. BellSouth admits that its position is that “late charges” are not considered in calculating aggregate revenue under Tenn. Code Ann. § 65-5-209?
57. BellSouth admits that when it makes its uncollectible accounts estimate it does not know which specific customers will fail to pay?
58. BellSouth admits that it bills customers for telecommunications service it does not actually supply?
59. BellSouth admits that it charges customers for telecommunications service it does not actually supply?
60. BellSouth admits that it bills and charges customers for service provided by other companies?
61. BellSouth admits that when it bills and charges customers for service provided by other companies and those customers are late in paying the bill it can return the account to the company which has allegedly supplied the service BellSouth billed to the customer?
62. BellSouth admits that when it bills and charges customers for service provided by other companies and those customers are late it can return the account to the company which has allegedly supplied the service BellSouth billed to the customer, for full recourse?
63. BellSouth admits that its lead or lag days have not significantly changed from past studies?
64. BellSouth admits that its lead or lag days due to late payments from customers have not significantly changed from past studies?
65. BellSouth admits that the primary purpose of a lead-lag study is to accurately establish the amount of investor’s funds used in sustaining utility operations from the time expenditures are made to provide service to the time revenues are received as reimbursement for these services?
66. BellSouth admits that it does not give customers a credit or a cash amount for prepayment?
67. BellSouth admits that it financially benefits when customers prepay their bills?

68. Please identify any and all costs "caused" by customers of BellSouth to BellSouth when the customer pays late?
69. When BellSouth bills on behalf of another company, please state BellSouth's payment to the other company as a percentage of the total dollars billed.
70. BellSouth admits that its current studies of working capital consider the noncash expense of depreciation?
71. BellSouth admits that all compensation for utility service reimburses shareholders for the capital used to provide the services?
72. Please produce any and all studies and samples of customer payment patterns made by BellSouth from June 1995 to the present, including but not limited to, statistical studies and samples.
73. Please produce any and all criticism(s) and comments of any and all studies of customer payment patterns in BellSouth's possession or of which it has knowledge?
74. What is the revenue lead lag amount by customer class?
75. BellSouth admits that prepayments provide a financial benefit to BellSouth?
76. BellSouth admits that prepayments provide a financial benefit to BellSouth in excess of the amount the company charges for service?
77. Please state the annual discounts provided to BellSouth Telecommunications Tennessee's customers who pay for local service in advance.
78. Please produce for inspection and copying any and all calculations and workpapers relating to annual discounts provided to Tennessee consumers.
79. BellSouth admits that its proposed charges for late payments are in part charges associated with the provision of telecommunications service?
80. BellSouth admits that its proposed tariff which would institute charges for late payments could also be associated with the provision of non telecommunications goods or service?
81. Please state the amount BellSouth charges the other companies for whom it bills when customers do not pay the amount billed by the other companies?
82. BellSouth admits that its late payment charge increases the cost of local basic exchange service for those persons paying the charge?

83. Please produce any and all documents created or used by any BellSouth personnel or consultants which suggest or recommend increasing payments associated with services currently provided to BellSouth consumers.
84. BellSouth admits that it does not purchase, from other telecommunications service providers, all of the accounts for which it bills?
85. Please produce for inspection and copying any and all contracts made with other telecommunications companies or organizations for whom BellSouth bills Tennessee consumers.
86. Please produce for inspection and copying any and all work papers, studies or suggestions for offsetting revenue reductions made by BellSouth.
87. For each and every allegation made by the Consumer Advocate Division in its complaint or Petition to Intervene and denied by BellSouth, please state and explain each and every ground and reason for the denial.
88. Please identify each and every person who provides answers to each discovery request.

Respectfully Submitted,



L. Vincent Williams  
Deputy Attorney General-Consumer Advocate  
Consumer Advocate Division  
425 Fifth Ave., North, Second Fl.  
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615-741-8723  
B.P.R. No. 011189


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Certificate of Service

I hereby certify that a true and correct copy of the foregoing Document has been mailed postage prepaid to the parties listed below this 22<sup>nd</sup> day of November, 1999.

Guy Hicks, Esq.  
BellSouth Communications, Inc.  
333 Commerce St., Suite 2101  
Nashville, TN 37201-3300

David Waddell, Esq.  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
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